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Message Text

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USDA/FAS FOR OILSEEDS & PRODUCTS/LANKFORD FROM AGATTACHE

E.O. 11652: N/A
TAGS: EAGR,EPAP,ETRD,HU
SUBJ: HUNGARY'S SOYBEAN MEAL IMPORT SITUATION

1. ON APRIL 6, AGATTACHE MET WITH LACFI OF AGRIMPEX (FTO) TO DISCUSS HUNGARY'S SOYBEAN MEAL IMPORT SITUATION. FOLLOWING ARE MAJOR POINTS LEARNED.

2. HUNGARY'S EXPECTED SOYBEAN MEAL REQUIREMENTS IN 1978 WILL BE ONLY SLIGHTLY MORE THAN IN 1977 -- SOMEWHAT BELOW 600,000 TONS. THIS LOW RATE OF GROWTH IS DUE IN PART TO THE SLOW-DOWN EXPECTED IN HOG PRODUCTION IN 1978 (AND POSSIBLY IN 1979) SINCE SOW NUMBERS AS OF JANUARY 1, 1978, WERE OFF FOUR PERCENT. IT IS, HOWEVER, TO EARLY TO TELL WHETHER A DOWNWARD TREND WAS SETTING IN. TOTAL TONNAGE OF SOYBEAN MEAL IMPORTS MAY BE EVEN DECLINING IF SMALL FARMS BEGIN TO FEED THEIR HOGS WITH CORN ONLY LATER THIS YEAR.

3. ALTHOUGH THE QUALITY PROBLEM OF US MEAL HAS NOT YET BEEN FULLY RESOLVED, AGRIMPEX NOTICED ALREADY SOME IMPROVEMENTS IN RECENT MONTHS. THE REAL TEST
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WILL COME IN LATE APRIL OR EARLY MAY, WHEN SHIPMENTS ARRIVE FROM ONE OF HUNGARY'S MAJOR SUPPLIERS. AGRIMPEX DISCUSSED QUALITY PROBLEM WITH THIS MAJOR SUPPLIER RECENTLY WHO PROMISED TO CORRECT THE SITUATION IN THE FUTURE.

4. AT PRESENT, IT LOOKS THAT HUNGARY WILL BUY AT LEAST

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100,000 TONS MORE MEAL FROM THE US IN 1978 THAN A YEAR AGO. ALTHOUGH THE APPARENT SOLUTION OF THE QUALITY PROBLEM MAY BE A FACTOR OF THIS FAVORABLE DEVELOPMENT, IT WILL NOT BE THE ONLY ONE. AS A RESULT OF DROUGHT, BRASILIAN PELLETS ARE NOT AS READILY AVAILABLE AS THEY WERE LAST YEAR. ALSO, CURRENT PRICE DIFFERENTIALS BETWEEN THE TWO MEALS ARE NEGLIGIBLE.

5. LACFI ALSO REVEALED THAT AS OF LAST YEAR, HUNGARY HAS BEEN USING CHICAGO FUTURES MARKET TO REDUCE FLUCTUATIONS IN U.S. MEAL BUYING PRICES. IN FACT, CONTRACTS LATELY INCLUDE A PROVISION THAT THE SELLER HEDGE AGAINST FUTURE FLUCTUATIONS AND DELIVER MEAL AT RELATIVELY STABLE PRICES. LAST YEAR, THE VOLUME COVERED BY FUTURES CAME TO ABOUT 160,000 TONS. LACFI FINDS THE USE OF FUTURES VERY SATISFACTORY.

6. COMMENT: BASED ON ABOVE REMARKS, HUNGARY SHOULD IMPORT A TOTAL OF 580,000 TONS OF SOYBEAN MEAL IN 1978, OF WHICH APPROXIMATELY 220,000 TONS SHOULD COME FROM THE U.S. THIS COMPARES WITH ONLY 110,000 TONS IMPORTED IN 1976. WITH THESE SHIPMENTS, HUNGARY'S SOYBEAN MEAL IMPORTS FROM THE U.S. COULD TOTAL ABOUT 50 MILLION DOLLARS IN 1978.WOLF

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